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*Intorno al concetto di reddito imponibile e di un sistema d'imposte sul reddito consumato.* By LUIGI EINAUDI. (Torino: Vincenzo Bona. 1912. Pp. viii, 105.)

Professor Einaudi concludes his monograph with an appeal to his critics to pass over the question of the general validity of his conclusions and to consider merely whether the conclusions are logically deduced from the premise. The present reviewer intends to heed this request, although merely because within the proper limits of a review there is no room for any adequate discussion of the soundness of the postulate in question. It is regrettable that Professor Einaudi should attempt to take this non-Euclidean position, characteristic of much recent Italian economic writing, for he is dealing with a topic of practical import and makes a number of concrete recommendations for practical tax reform. And perhaps it may be something more than a quibble to suggest that Professor Einaudi has not really achieved the logical impossibility of utilizing only one premise.

The fundamental postulate on which so much stress is put is J. S. Mill's familiar canon of equality of sacrifice in taxation, interpreted as leading to proportional taxation. But the bulk of the argument really hinges upon another tenet of Mill's—that the taxation of the saved portions of incomes involves double taxation. Fisher's discussion of the nature of income, especially his contention that savings are not income, has given new significance to this view.

Conceding that "realized income," in Fisher's sense, is the proper subject of taxation, how is it in practice to be reached by the tax-gatherer? It is hopeless to attempt to gauge the expenditures and the savings of every taxpayer. As between an ordinary income tax and the taxation of consumption, the former is defective in principle, the latter difficult of complete application. Yet the author's contention is that the development of taxes on consumption furnishes the best practicable approximation to the taxation of "realized income."

Not all forms of expenditures could profitably be taxed: selection would be necessary. Moreover, expenditures for primary necessities or for increasing personal efficiency should be exempted on the ground that they are, in effect, a kind of savings invested in the maintenance and increase of one's personal capital. What is left would be distinctly sumptuary taxation: on the site value of habitations, on furniture and other durable consumption goods, on carriages, automobiles, servants, etc.

But it is evident that the author has wandered a long way from the postulate of equality. And just what would be the effect of such a system of taxation on the amount of savings is not at all clear. It is, of course, a matter of the elasticity of the demand for the particular things taxed as compared with (1) other present gratifications and (2) future goods and services. This point is as simple as it is fundamental, but Professor Einaudi neglects it.

Although the thing aimed at in most modern systems of direct taxation is gross income (with a minimum exemption) rather than "realized" income, there is already at work, thinks Professor Einaudi, an effective if largely automatic tendency toward the exemption of savings from taxation. His elaboration of this thesis is, in the reviewer's opinion, the most valuable part of the monograph. It contains a multitude of acute observations on existing tax systems together with thoughtful recommendations for their betterment. Especially interesting are the discussions of the taxation of building lots and inheritances and of the relative merits of taxes on income-yielding property and of the super-tax on incomes from property.

Professor Einaudi does not hold as fast to his "premise" as he ought to, but the quality of his discussion is possibly all the better on that account. He has particular difficulty with the dilemma that comes from the fact that to exempt those who ought to be given an opportunity to save is not, generally speaking, to exempt savings. But altogether the monograph is of very unusual interest and value.

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#### NEW BOOKS

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